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DEPT FOR NEA/ELA, NEA/FO, EEB/EX, EEB/ESC/TFS, L/EB
COMMERCE FOR BIS/SONDERMAN/CHRISTINO
NSC FOR SHAPIRO/MCDERMOTT
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TAGS: [ECIN](#) [ECON](#) [EIND](#) [EINV](#) [PGOV](#) [PREL](#) [SY](#)
SUBJECT: THE VIEW OUTSIDE DAMASCUS: SYRIAN BUSINESSMEN IN
THE NORTHWEST HOPE FOR AN END TO U.S. SANCTIONS

Classified By: Charge d'Affaires Chuck Hunter for reasons 1.4(b,d)

Summary

¶1. (C) During Econoff's recent tour of northwest Syria, Syrian businessmen argued that U.S. sanctions have had a minimal impact on most Syrian businesses. Major companies in the region appeared to be not only surviving but prospering in spite of the sanctions regime. Businessmen told Emboff they are nonetheless anxious for improved U.S.-Syrian economic relations and an end to sanctions because there is a strong desire for U.S.-made products in Syria - most notably software. End summary.

Staff Visit to Aleppo, Tartous, and Latakia

¶2. (SBU) Emboff traveled in December 2009 to the coastal cities of Tartous and Latakia, and the industrial city of Aleppo in northwest Syria, to discuss economic issues with local businessmen and government officials. The visit included stops at the facilities of the Joud Group in Latakia, the Sabbagh Group, Asia Pharmaceuticals, and Lezaco Tool Company in Aleppo, and the site of the Ibn Hani Bay Resort currently under construction just north of Latakia. Emboff also held meetings with board members of both the Chamber of Commerce and the Chamber of Industry in Aleppo.

Chambers Lack Detailed Knowledge of Sanctions

¶3. (C) During a meeting with the Aleppo Chamber of Commerce Board of Directors, Chamber President Hasan Ahmad Zeido led a discussion on substantive economic issues, with the main topic being U.S. sanctions. The board members possessed a very poor understanding of the exact scope of sanctions, particularly relating to exemptions and waivers. Econoff provided a detailed description of what the sanctions actually entailed, in particular exemptions for food and medicine. In addition, Econoff explained that an export license could be requested for certain waived items. The

board members seemed genuinely surprised at this information, and appeared to have the impression that nearly all U.S.-produced items cannot be shipped to Syria. An explanation of the ten percent "de minimus" U.S. content rule, and how it could potentially affect items purchased from other countries, also provided background of which they didn't seem to be aware. After the meeting, Board Member Leon Zaki thanked Emboff for educating the board on the U.S. sanctions regime.

14. (SBU) While in Aleppo, Emboff also met with members of the Board of Directors of the Aleppo Chamber of Industry. Chamber President Mohammad Sabbagh Sharabati began the discussion by highlighting the importance of Aleppo, home to 60% of Syrian industry, and encouraged the embassy to focus on building relations with Aleppo businessmen. Discussions soon turned to sanctions and the politics behind them. Members commented that since the political dialogue between Syria and the U.S. had started, so should the economic dialogue. The group attributed tension between the U.S. and Syria to America's ignoring Syria's "right to the Golan."

View from the Coast

15. (SBU) The trip provided an opportunity to engage with businessmen along the coast and visit their facilities to see firsthand the capabilities of Syrian companies and evaluate how U.S. economic sanctions were affecting Syrian businesses.

The largest operation Emboff toured was the Joud Group of Latakia, a family-owned business involved in over a dozen

enterprises including the import and production of consumer goods, lumber, iron and steel, and transportation (trucking and shipping). They bottle both Pepsi and Seven-up soft drinks under exclusive license and are the agent for Procter and Gamble brand items in Syria. Emboff visited two Joud Group consumer products facilities - one containing their lumber, wood laminating and banana import divisions and the other their soft drink bottling operation and large appliance manufacturing plant.

16. (C) Joud Group President Soubhi Joud called for the lifting of U.S. economic sanctions against Syria. He also discussed the importance of the U.S. appointing an ambassador to Syria. Joud believed having a U.S. ambassador in Damascus was critical for improving U.S.-Syrian relations, both politically and economically.

Businesses in Aleppo Prosper

17. (SBU) Separate from the meeting mentioned above, Emboff met with Aleppo Chamber of Commerce board member Leon Zaki, a prominent local businessman. He is an importer and distributor of machine tools from Europe and China. U.S. economic sanctions again dominated discussions. Zaki commented that it is time for Syria and the U.S. to reconcile and called for the lifting of sanctions, especially for aircraft parts. He said it was important for Syria's image abroad to maintain a viable national airline. Emboff reiterated that export licenses could be requested for parts and components intended for the safe operation of commercial aircraft. When queried about his interest in importing machine tools from the U.S. if sanctions were lifted, Zaki said that he would like to import from the U.S. because U.S. items had an image of quality but, in reality, prices would be the main obstacle.

18. (SBU) The Sabbagh Group is another large, family-owned Syrian business. Although one of the largest textile companies in Syria, the Sabbagh Group recently diversified into chemicals and shopping malls. Mohammad Sabbagh confided that he decided to move his business away from solely textile manufacturing because it was a declining business sector in Syria due to global competition. His group has opened a

caustic soda (sodium hydroxide) plant about 30 kilometers from Aleppo, managed by his younger son Urwa, and are developing large, modern shopping malls in major Syrian cities. Their first mall project, al-Shahba Mall, recently opened in Aleppo and the next one is planned for Damascus with construction starting in 2010. Sabbagh Group CEO Mohammad Sabbagh's son Amar is spearheading the mall development business. He took us on a guided tour of the new mall, a truly impressive structure. Each floor contained stores targeting a different economic demographic in order to make the mall attractive to all members of the community. There was a large food court, movie theaters and high-end western stores such as Benetton and Villeroy and Boch.

¶9. (SBU) Asia Pharmaceuticals Owner/General Manager Abdul Naser Seijari told us Asia was close to obtaining its CEP (Certificate of suitability to the European Pharmacopoeia) to permit export of their products to the European Union. Their next goal, he said, was to obtain FDA certification to be able to sell their products in the U.S. He said he had already met with some American consultants who assist companies with obtaining FDA certifications. Seijari revealed the company was looking at the prospect of purchasing a small pharmaceutical firm in the U.S. in order to establish a foothold there. In our discussions, Seijari questioned the need for U.S. sanctions, especially for non-military equipment. He commented that he had begun purchasing his quality assurance testing equipment from Japan and found its quality rivaled that of equipment he had previously bought from Hewlett-Packard.

¶10. (C) Our visits to different businesses in Aleppo and

Latakia highlighted the economic liberalization that has taken place in Syria since Investment Law No. 10 was implemented in 1991. The large, family-owned establishments we saw have all expanded vastly since 1991 as private businesses have been able to grow under a more moderate government economic policy. However, high-level political connections are necessary in order to survive as a large, privately-owned business in Syria. During our meeting, Soubhi Joud revealed that both his brother Farouk and his son Haytham had attended the funeral that day of President Asad's brother Majd in the nearby town of Qurdaha. Farouk Joud is Vice-Chairman of the Joud Group and Haytham Joud is head of Souria Holdings (part of the Joud Group), an investment company located in Damascus.

\$450 Million Qatar Government Development Project

¶11. (SBU) Emboff visited the Ibn Hani Bay Resort under construction in Latakia and toured the site with Construction Manager Salvatore Migliore from Qatar Project Management. Migliore was employed by Hill International of Marlton, New Jersey, under contract to Qatar Project Management which was overseeing the project. According to Migliore, the Ibn Hani Bay Resort was an investment project of the Qatari al-Diyar (Qatari Diar) Company for Real Estate Investment. He explained the \$450 million undertaking was a means for the Qatar government to provide foreign aid to Syria without a direct infusion of cash to the Syrian government. Their goal, he said, was to procure materials and labor for the project to the maximum extent from Syria and thereby stimulate the Syrian economy.

Conclusion

¶12. (C) Businessman in northwest Syria appeared baffled by the sanctions and said they were unsure of the goals of the sanctions regime. Emboff heard on numerous occasions that "the U.S. sanctions hurt U.S. businesses a lot more than they hurt Syrian businesses" because, with few exceptions, in a global economy there are alternatives to U.S. manufactured goods. The exceptions noted were particularly in the areas

of software and aviation. Businessman in northwest Syria also lack understanding of the sanctions regime. Emboffs will continue educating Syrian businessmen and women on the exemptions and waivers in sanctions policy to counter SARG attempts to blame the USG for the country's economic ills.
HUNTER